

Message Text

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PAGE 01 STATE 054124
ORIGIN EUR-04

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FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS

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FOLLOWING REPEAT STATE 54124 ACTION CAIRO DTD 11 MAR

QTE

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AIDAC

E.O. 11652: N/A

TAGS:

SUBJECT: NEW CIP PROGRAM

REFS: (A) STATE 040964, (B) STATE 035810,
(C) CAIRO 3173, (D) CAIRO 3659

1. WE BELIEVE REF D DECISION NOT TO INCLUDE FROZEN MEAT
AND POULTRY IN CIP AT THIS TIME WISE. FYI. ACCORDING
USDA, FROZEN MEAT IN QUANTITY GOE REQUESTING COULD NOT BE
PROCURED WITHOUT MEASURABLE IMPACT ON U.S. DOMESTIC PRICE.
USDA ESTIMATES THAT IT POSSIBLE TO MAKE AVAILABLE ONLY
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MAXIMUM OF 5,000 TONS OF FROZEN MEAT FOR CIP FINANCING AND
SHIPPING OVER NEXT 8-10 MONTHS PERIOD. EVEN THEN QUANTITY
MIGHT NEED TO BE REDUCED IF U.S. DOMESTIC PRICE INCREASED
APPRECIABLY. RE QUESTION BEEF CARCASSES, FROZEN QUARTERED
CARCASSES ARE AVAILABLE ON U.S. MARKET. HOWEVER, FROZEN
MEAT NOT NORMALLY EXPORTED IN CARCASS FORM BECAUSE OF
ADDITIONAL STORAGE SPACE REQUIRED AND CONCOMITANT INCREASED

COST. END FYI.

2. REGARDING BUTTER AND CHEESE, WE ASSUME THAT THE GOE MAY NOT BE INTERESTED IN PROCURING THESE ITEMS UNDER THE CIP BECAUSE OF PRICE DIFFERENTIAL OVER TRADITIONAL EUROPEAN SUPPLIERS. IF GOE REQUESTS THAT SIGNIFICANT QUANTITIES

THESE ITEMS BE FUNDED UNDER CIP, WE WILL BE COMPELLED TO CONSULT WITH EC AND IT IS QUITE LIKELY THAT EC MEMBERS MIGHT OBJECT. THIS COULD NECESSITATE TIME-CONSUMING PERIOD TO ATTEMPT NEGOTIATE SATISFACTORY AGREEMENT TO PERMIT CIP FINANCING BUT EVEN THEN IT IS SOMEWHAT DOUBTFUL THAT SUCH AGREEMENT COULD BE AMICABLY REACHED. WE RELUCTANT CREATE CONDITION FOR EC OBJECTION TO U.S. CONCESSIONAL EXPORTS SUPPLANTING TRADITIONAL EGYPTIAN SOURCES OF CHEESE AND BUTTER, PARTICULARLY SINCE U.S. HAS STRONGLY ENCOURAGED EC MEMBERS TO INCREASE THEIR FOOD AID TO EGYPT. GIVEN THIS FACT, AVAILABILITY OF LESS EXPENSIVE CHEESE AND BUTTER FROM OTHER SOURCES, AND POSSIBLE ISSUE OF CIP FINANCING OF LUXURY GOODS (I.E., U.S. CHEESE IS RELATIVELY EXPENSIVE SOURCE DIETARY PROTEIN), WE BELIEVE IT WOULD BE BETTER AVOID THESE ITEMS ON CIP ELIGIBILITY LIST, UNLESS REASONS EXIST FOR THEIR INCLUSION OF WHICH WE UNAWARE.

3. GOE NORMALLY IMPORTING APPROXIMATELY 200,000 TONS OF COTTONSEED/SOYBEAN OIL FROM THE U.S. ANNUALLY ON COMMERCIAL TERMS.

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IT IS OUR UNDERSTANDING THAT GOE ALREADY HAS CONTRACTED AND SHIPPED 43,000 TONS OF VEGETABLE OIL THIS YEAR AND THAT AN ADDITIONAL 40,000 TONS (APPROXIMATELY) OF VEGETABLE OIL NOW UNDER CONTRACT.

WE WOULD BE PREPARED CONSIDER FINANCING OF THE 40,000 TONS; HOWEVER, RECOGNIZE THAT MANNER PROCUREMENT OR TERMS OF TENDER MAY MAKE THIS IMPOSSIBLE. IN THIS CASE, WE WOULD HAVE TO CONFINE OUR FINANCING TO VEGETABLE OIL ORDERS NOT YET CONTRACTED FOR. IN ANY CASE, CARE SHOULD BE TAKEN IN PRESENTING FINANCING POSSIBILITIES TO GOE TO ENSURE THAT OFFER CIP FINANCING DOES NOT RESULT IN CANCELLED CONTRACTS.

4. PRODUCERS OF BOTH SOY BEAN AND COTTONSEED OIL INTERESTED IN SUPPLY TO EGYPT. ASSUME THAT CIP ELIGIBILITY WILL BE FOR COTTONSEED/SOY BEAN OIL WITH CHOICE BETWEEN THE TWO MADE BY GOE ON BASIS PRICE AND AVAILABILITY AS YEAR PROGRESSES.

5. WOULD APPRECIATE MISSION FORWARDING SOONEST GOE
ALLOCATION OF FUNDS BY MINISTRY AND COMMODITY FOR NEW DOLS
440 MILLION CIP LOAN. DECON 3/31/77.
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